(c) if not, by when Government is going to constitute the Boards for these banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) to (c) The boards of the public sector banks are continuing entities and vacancies that arise are filled up from time to time. While the appointment of non official directors on the boards of nationalised banks and the Central Board of State Bank of India is made by Central Government, that of the non official directors on the boards of the subsidiary banks is made by the State Bank of India. Although the tenures of existing non official directors on the Boards of nationalised banks have expired, they are continuing as per the provisions of the statutes. Government have initiated necessary steps for reconstituting the Central Board of State Bank of India and the Boards of the nationalised banks.

Counter Guarantee of MNCs

2721. SHRIMATI MIRA DAS:
SHRI CHIMANBHAI MEHTA:

Will the Minister of FINANCE be pleased to state:

(a) whether counter guarantee of the state demanded by MNCs would lead to mismanagement of plants and investments as high percentage of profits are guaranteed;

(b) if not, what are the reasons that such a risk is being actively considered and approved by the Finance Department;

(c) whether other developing countries are providing sovereign guarantees to MNCs;

(d) if so, the details thereof; and

(e) whether China has rejected the idea of sovereign guarantee?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) and (b) The Counter-Guarantees under consideration only guarantee the payment obligations of the State Electricity Boards in the event of a payment default by the respective State Electricity Board and the State Government. By itself, a counter guarantee does not guarantee any level of profits. Such counter guarantees are being contemplated as the foreign lenders are not willing to land on the strength of State Government guarantees as the latter do not have international credit ratings.

(c) and (d) Government has been informed that other developing countries like philipines, Malaysia have provided sovereign guarantees, which are much wider than the GOI counter guarantee under consideration.

(e) No information is presently available in this regard.

Inflation Rate in India

2722. SHRI PRAMOD MAHAJAN: Will the Minister of FINANCE be pleased to state:

(a) how does the inflation rate of India compare with that of USA, UK, Germany, Japan and France; and

(b) what are the reasons for high inflation rate in India?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) The inflation rate based on Consumer Price Index for the month of May, 1994 was as follows:

	Inflation (%)
USA	2.3
UK	2.6
Germany	2.9
Japan	0.8
France	1.8
India	10.6

(b) Inflation rate in developing countries tends to be higher compared to industrially advanced countries because of